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C O N F I D E N T I A L STATE 177698

State Dept. review completed

FOLLOWING SEOUL 6491 DTD JUN 24 SENT ACTION STATE INFO JAKARTA
BEING REPEATED TO YOU FOR YOUR INFO:

QUOTE: C O N F I D E N T I A L SEOUL 6491

DEPT FOR EA ONLY

JAKARTA FOR AMB HOLDRIDGE

E.O. 12065: GDS 6/24/88 (WALKER, RICHARD L.) OR-M
TAGS: OVIP (LEE BUM SUK), PEPR, PINT, SHUM, EGEN, EFIN,
- KS, US, JA
SUBJECT: FOREIGN MINISTER LEE BUM SUK'S VISIT TO
- WASHINGTON

REF: (A) STATE 167651, (B) SEOUL 6347,
- (C) CLEVELAND/LAMBERTSON TELECON 6/23

1. (C) ENTIRE TEXT.

2. WE UNDERSTAND THAT THE SCHEDULE FOR FOREIGN MINISTER
LEE (M-R: YI POM-SOK) IS SHAPING UP (REF C), AND THAT
BRIEFING PAPERS ARE ALREADY BEING PREPARED. FOLLOWING
ARE THE EMBASSY'S THOUGHTS ON THE VISIT.

3. SETTING: THERE ARE NO MAJOR BILATERAL ISSUES PENDING
BETWEEN KOREA AND THE U.S., AND OFFICIAL RELATIONS BETWEEN
THE TWO COUNTRIES IN THE CENTENNIAL YEAR ARE DESCRIBED BY
MANY KOREANS AS BEING THE BEST SINCE WWII. HOWEVER, THE
CHUN ADMINISTRATION, SEVERELY DAMAGED BY A SERIES OF MIS-
FORTUNES AND SCANDALS, IS ON SHAKIER GROUND THAN IT HAS
BEEN AT ANY POINT SINCE PRESIDENT CHUN (M-R: CHON TU-HWAN)
CAME TO POWER. THE CATALYST FOR THE TRIP IS THE PRESI-
DENT'S UPCOMING TRIP TO FOUR AFRICAN NATIONS AND CANADA
ON WHICH LEE WILL ACCOMPANY CHUN, BUT HE HAS OTHER PUR-
POSES AS WELL.

4. LEE'S OVERALL OBJECTIVES: THE NEW FOREIGN MINISTER
WILL WANT TO ESTABLISH HIS PERSONAL CREDENTIALS WITH KEY
U.S. LEADERS, RENEW ACQUAINTANCES WITH MANY WHOM HE KNOWS
WELL, AND GIVE VISIBLE EVIDENCE BOTH IN THE U.S. AND FOR
THE REST OF THE WORLD, INCLUDING HERE AT HOME, THAT THE TWO
GOVERNMENTS ARE IN CLOSE HARMONY ON BASIC FOREIGN POLICY
ISSUES. TO THIS END HE WILL SEEK USG PERSPECTIVES ON KEY
GLOBAL CRISIS AREAS AS WELL AS ON LONG-RANGE TRENDS IN THE
COMPETITION WITH COMMUNIST COUNTRIES. HE HAS EXPRESSED TO
THE AMBASSADOR HIS WISH THAT THE KOREAN GOVERNMENT BE ABLE

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TO BE IN TUNE WITH USG POSITIONS WHEN HE AND HIS PRESIDENT MEET WITH AFRICAN AND CANADIAN LEADERS.

5. THE FOREIGN MINISTER WILL, OF COURSE, AS NOTED BELOW, BE RAISING A NUMBER OF ECONOMIC ISSUES WHICH LIE AT THE HEART OF OUR OWN BILATERAL RELATIONS, INCLUDING FMS CREDITS, THE NEED FOR FURTHER EXIM CREDITS OVER THE FUTURE, TRADE LIBERALIZATION, AND THE NEGOTIATIONS WITH THE JAPANESE FOR ECONOMIC ASSISTANCE FOR THE KOREAN FIFTH FIVE-YEAR PLAN. ON THIS LAST SCORE, LEE MAY BE EXPECTED TO REPORT ON THE CURRENT STATE OF NEGOTIATIONS AND HIS PERCEPTION OF HOW THEY ARE PROCEEDING. HE APPRECIATES THE FIRM AMERICAN POSITION THAT WE CANNOT GET INVOLVED AS A MIDDLEMAN IN THIS ISSUE.

6. OUR OBJECTIVES: LEE BUM SUK IS A LONG-TIME FRIEND OF AMERICA AND AMERICANS--A STRAIGHT AND HONEST MAN WITH A QUICK MIND AND AN ABILITY TO GO RIGHT TO THE HEART OF A MATTER WITHOUT CIRCUMLOCUTION. THE EMBASSY BELIEVES THAT WE WILL WANT TO GIVE HIM A PERSONAL BOOST AND HELP HIM TO RETAIN THE HIGH DEGREE OF RESPECT WHICH HE DOES HAVE WITH THE BLUE HOUSE. ALTHOUGH THERE ARE NO MAJOR ISSUES PENDING BETWEEN THE TWO COUNTRIES, WE WILL WANT TO MAKE CLEAR SOME OF OUR CONTINUING CONCERNS AND COMMITMENTS: (1) OUR SECURITY GUARANTEES ARE STRONG AND UNSWERVING, (2) THE USG INTEREST IN HUMAN RIGHTS AND A MORE VITAL PLURALISM IN KOREA IS UNDIMINISHED, (3) WE ARE ANXIOUS THAT THE KOREAN ECONOMY REGAIN ITS MOMENTUM AND THAT IT FULFILL SOME OF PRESIDENT CHUN'S PLANS FOR INTERNATIONALIZATION, AND (4) WE ARE ANXIOUS TO SUPPORT MEASURES TO REDUCE TENSIONS ON THE PENINSULA AND OPEN DIALOGUE BETWEEN THE SOUTH AND THE NORTH. LEE'S VISIT OFFERS THE USG AN OPPORTUNITY TO MAKE CLEAR THAT, ALTHOUGH THE TWO COUNTRIES ARE FIRM ALLIES, THIS DOES NOT MEAN AN IDENTITY OF VIEWS IN ALL AREAS, THAT KOREA AND THE U.S. ARE IN A POLITICAL EMBRACE. VICE PRESIDENT BUSH'S VISIT TO KOREA, FOR EXAMPLE, OFFERED THE OPPORTUNITY FOR US TO STRESS OUR BELIEF IN DIVERSITY AND REPRESENTATIVE INSTITUTIONS. WE CAN USE LEE'S VISIT TO UNDERSCORE THESE POINTS AND TO REAFFIRM OUR COMMITMENT TO OUR BELIEF THAT A RELAXATION OF SOME OF THE MORE STRINGENT CONTROLS AND MOVEMENT TOWARD MORE OPEN INSTITUTIONS IS IN THE LONG-RANGE INTEREST OF KOREA AS WELL AS OUR MUTUAL SECURITY.

7. LEE'S CALL ON SECRETARY HAIG: WE SEE THIS AS THE CENTERPIECE OF THE FOREIGN MINISTER'S WASHINGTON VISIT. HE WILL WANT THE SECRETARY'S GLOBAL TOUR D'HORIZON WITH EMC

UVSIS ON THE USSR, MIDDLE EAST AND CHINA. HE HAS EXPRESSED TO THE AMBASSADOR CONCERN ABOUT HOW THE TAIWAN ARMS SALE AND TRA WILL EVENTUALLY BE WORKED OUT WITH BEIJING. HIS PREDECESSOR WAS INTERESTED IN CHINESE-KOREAN

TRADE RELATIONS AND POSSIBILITIES OF ENLISTING BEIJING IN HELPING TO OPEN NORTH-SOUTH DIALOGUE IN KOREA. HE IS ALSO LIKELY TO RAISE THE FMS ISSUE, ROK-JAPAN ECONOMIC AID NEGOTIATIONS, AND POSSIBLY PRESIDENT CHUN'S PROPOSALS FOR ANNUAL PACIFIC SUMMITS. WE SUGGEST THAT THE SECRETARY MAY WISH TO MAKE THE FOLLOWING POINTS:

-- FMS: WE SUPPORT GENERALLY INCREASED FMS LEVELS FOR THE ROKG. WE ARE AWARE THAT KOREANS DO A GREAT DEAL ON THEIR OWN BEHALF--INCLUDING FORMIDABLE CONTRIBUTIONS TO CDIP--AND WANT TO ENCOURAGE THEM TO DO MORE, ESPECIALLY ON WAR RESERVE STOCKS. OF COURSE, GIVEN CURRENT BUDGETARY ATTITUDES ON CAPITOL HILL AND CONSTRAINTS ON THE U.S. BUDGET WE ARE NOT IN POSITION TO GUARANTEE THE OUTCOME. KOREA MAY WISH TO CONSIDER THE POSSIBILITY OF INCREASING ITS OWN DEFENSE SPENDING AS A PORTION OF GNP IN ORDER TO DEMONSTRATE TO CONGRESS ITS WILLINGNESS TO GO THE FULL DISTANCE IN THE SECURITY AREA.

-- ROK-JAPAN AID ISSUE: WE SUGGEST THAT THE SECRETARY SHOULD REAFFIRM IN STRONG TERMS THE STRONG INTEREST WE

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HAVE IN TERMS OF REGIONAL STABILITY AND SECURITY THAT THE TWO PARTIES GET TOGETHER AS QUICKLY AND HARMONIOUSLY AS POSSIBLE.

-- ANNUAL PACIFIC SUMMIT CONCEPT: WE HAVE NOT RECEIVED A FORMAL PROPOSAL. WHILE THE SECRETARY MAY WISH TO LISTEN WITH SOME SYMPATHY, HE MAY WISH TO POINT OUT THAT ONE MORE ORGANIZATION MADE UP OF STATES WITH DIFFERENT SOCIAL SYSTEMS AND APPROACHES--MIXING APPLES AND ORANGES--MAY NOT REALLY ACCOMPLISH MUCH MORE THAN SURFACE GLITTER AND COULD VERY QUICKLY BECOME TIRESOME. WE TEND TO BELIEVE THAT SUCH MEETINGS AS THE SCM ARE MUCH MORE PRODUCTIVE.

-- NORTH-SOUTH RELATIONS: THE SECRETARY MAY WISH TO REAFFIRM U.S. SUPPORT FOR ROKG INITIATIVES AND STRESS THAT WE ARE ANXIOUS TO BE KEPT UP TO DATE WITH ANY PLANS OR FEELERS SO THAT WE MAY LEND SUPPORT. THIS IS AN ISSUE ON WHICH WE MUST BE ASSIDUOUS IN OUR MUTUAL COMMUNICATIONS.

8. ADDITIONAL POINTS FOR THE SECRETARY TO RAISE:

-- POINT TO RECENT PRESS REPORTS ALLEGING U.S. DE-EMPHASIS OF ITS ROLE AND MILITARY PRESENCE IN NORTHEAST ASIA AS DISTORTIONS THAT THEY ARE.

-- CONGRATULATE LEE ON ROKG'S ONGOING CAMPAIGN TO IMPROVE RELATIONS WITH THIRD WORLD COUNTRIES AND EXPRESS INTEREST IN PRESIDENT CHUN'S TRIP TO AFRICA.

-- A CLEAR EXPOSITION OF U.S. POSITION ON THE CURRENT MIDDLE EAST CRISIS. THE KOREANS DO NOT SHARE U.S. VIEWS ON ISRAELI ACTIONS NOR DID THEY GO ALONG WITH THE U.S. POSITION ON THE IAEA ISSUE AND OTHER UN VOTES ON ISRAEL.

-- NOTE PRESIDENT CHUN'S MEETING WITH POLITICAL PARTY HEADS AND OTHER MOVES TOWARD RECONCILIATION AFTER THE CURB MARKET SCANDAL HERE IN THE ROK AND INQUIRE HOW THE FOREIGN MINISTER PERCEIVES THE CURRENT POLITICAL TRENDS.

-- REASSERT OUR OWN VIEW THAT THE SOONER KIM DAE JUNG (M-R: KIM TAE-CHUNG) AND HIS FELLOW POLITICAL DEFENDENTS ARE RELEASED AND ARE NO LONGER A MILLSTONE AROUND THE NECK OF THE CHUN GOVERNMENT, THE MORE QUICKLY IT WILL GAIN THAT EXTRA INCREMENT OF SUPPORT IT NEEDS.

9. MEETING WITH VICE PRESIDENT AND OTHER LEADERS: IN HIS JUNE 23 MEETING WITH THE AMBASSADOR, LEE DID NOT RAISE SPECIFIC TOPICS, THOUGH HE REMEMBERED TALKING WITH VICE PRESIDENT BUSH. HE WOULD HOPE TO USE HIS MEETING WITH THE VICE PRESIDENT TO REASSERT THE BLUE HOUSE'S STANDARD LINE OF ROKG BACKING FOR FREE WORLD LEADERSHIP UNDER THE U.S. HE WOULD ALSO HOPE TO UTILIZE MEETINGS WITH THE VICE PRESIDENT AND JUDGE CLARK TO GAIN A REAFFIRMATION OF THE CLOSENESS WHICH IS ALWAYS ACCENTED AS HAVING BEEN ACHIEVED BETWEEN PRESIDENTS REAGAN AND CHUN DURING THE LATTER'S VISIT TO WASHINGTON. LEE TOLD THE AMBASSADOR THAT, IN HIS TALKS WITH TREASURY SECRETARY REGAN AND OMB DIRECTOR STOCKMAN, HE WILL LIKELY RAISE THE ISSUES OF FMS, KOREAN OBJECTIVES IN THE ROK-JAPANESE ECONOMIC AID TALKS, AND EXIM FINANCING.

10. ECONOMIC TALKING POINTS:

-- EXIM BANK CREDITS: THE ABSENCE OF COMPETITIVE U.S. FINANCING IS BADLY ERODING U.S. COMPANIES' ABILITY TO COMPETE FOR MAJOR PROJECTS IN KOREA. IN RECENT MONTHS WE HAVE LOST SEVERAL MAJOR PROJECTS BECAUSE OF UNATTRACTIVE FINANCING TERMS. LEE WILL STATE THAT KOREA WOULD PREFER DEALING WITH U.S. FIRMS FOR MAJOR PROJECTS BUT CANNOT DO SO WHEN MUCH BETTER FINANCING IS OFFERED BY EUROPEAN AND JAPANESE COMPETITORS.

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-- CAPITAL IMPORTS: NEARLY 90 PERCENT OF KOREA'S EXTERNAL BORROWING NOW COMES FROM FOREIGN (MOSTLY U.S.) COMMERCIAL BANKS. FOR A DEVELOPING COUNTRY, KOREA'S CREDIT RATING REMAINS VERY HIGH AND ITS DEBT SERVICE MANAGEABLE. THE MINISTER WILL WANT TO BE REASSURED THAT U.S. BANKERS REMAIN WILLING TO LEND TO KOREA.

-- U.S. INTEREST RATES: MINISTER LEE WILL BE VERY INTERESTED IN BOTH SECRETARY REGAN'S AND OMB DIRECTOR STOCKMAN'S VIEWS ON SHORT-TERM PROSPECTS FOR THE AMERICAN ECONOMY AND

IN PARTICULAR ON THE OUTLOOK FOR THE INTEREST RATES.

-- KOREAN INVESTMENT CLIMATE: MINISTER LEE IS UNLIKELY TO RAISE THIS SUBJECT, BUT WE SHOULD NOT MISS THE OPPORTUNITY TO EXPRESS TO HIM OUR CONTINUED INTEREST IN IMPROVING THE KOREAN ENVIRONMENT FOR U.S. INVESTORS, SERVICE INDUSTRIES AND FINANCIAL INSTITUTIONS.

11. OTHER MEETINGS: THE FOREIGN MINISTER IS LOOKING FORWARD ANXIOUSLY TO THE LUNCHEON WITH DCI CASEY AND OTHERS AND WILL LIKELY LOOK TO THIS OPPORTUNITY FOR A FILL-IN ON U.S. PERCEPTIONS OF TRENDS IN NORTH KOREA AND OTHER COMMUNIST COUNTRIES AND WHERE THE ROKG CAN PLAY ITS OWN ROLE. THE AMBASSADOR URGED THAT LEE CARRY THROUGH HIS PLANS TO MEET WITH KEY U.S. FINANCIAL LEADERS SUCH AS DAVID ROCKEFELLER AND DAVID KENNEDY, BOTH OF WHOM HE KNOWS. IN ADDITION, HE WILL BE UTILIZING HIS OWN EMBASSY CONTACTS TO MAKE APPOINTMENTS ON CAPITOL HILL.

12. IN SUM, THIS VISIT CAN PROVE A USEFUL OPPORTUNITY FOR THE U.S. TO LET BOTH PYONGYANG AND ITS SUPPORTERS KNOW THAT OUR FOREIGN RELATIONS WITH THE ROKG ARE SUPPORTIVE AND SOLID AND AT THE SAME TIME ASSERT SOME OF OUR OWN NATIONAL INTERESTS WHERE THEY DO DIVERGE FROM CURRENT ROKG PRACTICES. THE FOREIGN MINISTER WILL PROVE A GOOD LISTENER AND WILL BRING THE MESSAGES BACK STRAIGHT. HE IS NOT ONE WHO TELLS PRESIDENT CHUN ONLY WHAT THE PRESIDENT WANTS TO HEAR.

13. A FINAL NOTE: HOPEFULLY, THE DEPARTMENT CAN FIND AN OCCASION TO RETURN TO THE NEW KOREAN FOREIGN MINISTER THE SORT OF COURTEOUS INVITATION TO A LUNCHEON OR OTHER MEAL WHICH THE KOREANS HAVE HOSTED SO FREQUENTLY FOR THE MANY, MANY GUESTS FROM THE UNITED STATES. WALKER UNQUOTE HAIG

END OF MESSAGE

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